

Public comments made by Sarah Fleming at the Downtown Memphis Commission board meeting on 4/27/18:

According to the DMC's website:

"The Downtown Property PILOT (Payment-in-lieu-of-tax) is a financial incentive used to encourage commercial property owners to develop their properties to a higher and better use."

In the case of the properties located at 1, 3, and 5 S. Main St. not only did the Lease Holders FAIL to develop the properties, but they FAILED to even perform basic maintenance and repair (as is required in their lease agreements), and instead allowed the properties to fall into a continued state of disrepair and substandard conditions.

The leases I am specifically referring to are between the CCRFC (a DMC board affiliate) and Madison Hotel Memphis LLC AND between CCRFC and 1 South Main LLC.

Specifically, the Lease Agreements between the DMC's affiliate board and ALL PILOT beneficial owners clearly state under Section 8:

"Lessee acknowledges it received the Project... in good order and condition, and agrees that, at its expense, it will keep and maintain the Demised Premises in good repair and appearance."

The property commonly referred to as 1 S. Main currently has over 30 roof leaks - the roof has been allowed to fall into such disrepair as it is no longer maintainable and requires immediate replacement. The stairwell to the upper portion of the building has been allowed to rust and deteriorate to the point of requiring re-welding. The awning is falling apart and has been separated from the building for years. The alleyways surrounding the building have been severely neglected and are disgusting in appearance. Many of these things and more reflect not only a neglectful appearance, but potential safety hazards.

It's obvious that the previous owners of the Madison Hotel were at fault in failing to uphold their end of the agreement - and that the condition of the property was allowed to deteriorate for more than 10 years with NO recourse from the DMC or the Center City Revenue & Finance Corporation. In light of the PILOT program's goals, exactly whose responsibility was it to make sure the 1 S. Main property was being improved while its owners received significant tax relief every year for a total of 30 years? Was it the DMC? CCRFC? the master lease holder? the sub-lease holder? How much tax revenue did our city give up while the PILOT master lease holders were not being held accountable??

In transferring and signing various lease agreements, not only is the DMC warranting that said properties are in "good order and condition" with no actual proof, but these Lease Holders were continuously allowed to reap the benefits of the PILOT program while in clear violation of their lease agreements that required them to, at the very least, MAINTAIN the property. The DMC continuously warrants and claims that there are "no

defaults” with no knowledge of what is actually happening to the properties; they make broad contractual strokes without knowing the results of how it affects any building tenants or sublease holders.

While this is just one instance, these facts call into question the ability of the DMC to effectively manage this program, to provide factual evidence, and to uphold basic standard of practice. As citizens we are subsidizing this program and the DMC needs to be held accountable.

FOR REFERENCE:

Section 8.01. Lessee’s Agreement to Maintain and Repair. Lessee acknowledges it received such of the Project as exists on the date of the execution and delivery of this Lease in good order and condition, and agrees that, at its expense, it will keep and maintain the Demised Premises in good repair and appearance. Lessee shall promptly make or cause to be made all interior and exterior, structural and non-structural, ordinary and extraordinary, foreseen and unforeseen repairs, including the maintenance, repair, and replacement necessary to keep the equipment installed in the Demised Premises in good repair and operating condition to the end that the Demised Premises is kept in good and lawful order and condition, wear and tear from reasonable use excepted, whether or not such repairs are due to any laws, rules, regulations, or ordinances hereinafter enacted which involve a change of policy on the part of the governmental body enacting the same. All replacements, renewals, attachments, and accessories made to, placed on or fixed to any part of the Demised Premises shall become a part of the same and the property of Lessor as made.